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Institute for the Study of Employee
Ownership and Profit Sharing

School of Management and Labor Relations

ACTION BRIEF

Culture First

Addressing Culture in ESOP Transitions

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Driving Question

What changes when companies treat culture-building as core to the transaction—rather than an afterthought?

Author's Introduction

In working with ESOP companies over many years, I have seen that the transaction itself is only the starting point. Beyond the financial benefits, ESOPs create an opportunity to enhance company performance—if leaders intentionally build an ownership culture that makes employee ownership meaningful.

While most ESOP transitions focus on financial and legal mechanics, long-term value depends on whether that culture is brought to life in day-to-day work. This brief outlines how to embed culture from the earliest stages of an ESOP transition. It highlights leadership alignment, participatory management practices, transparent communication, and thoughtful plan design as critical levers for turning shared ownership into stronger engagement and performance.

The Challenge in Practice

The effort required to build a high-performance ownership culture will be shaped in part by whether culture considerations are included in the ESOP transaction process.

In many ESOP transitions, the focus is centered on financial, tax, and legal mechanics necessary to close the deal.

Paying attention to the company's culture adds another dimension—one that advisors may view as slowing the transaction down.

Yet, what I have seen is that *not* considering culture during the transaction can substantially *increase the challenge* of building an ownership culture once the ESOP is in place. It can result in employees seeing the ESOP only as a retirement plan that may or may not be valuable to them.

Even technical design choices made during the transaction can either support or undermine efforts to make ownership meaningful. For example, rules related to an ESOP such as entry rules, vesting, and allocation, all carry implications for how soon employees can become owners and when they will experience the reinforcing benefits of ownership in terms of having a fully vested account value. Although these details may not be the factors that are foremost in building an “ownership culture,” they can make doing so more difficult. These kinds of factors will blunt leaders’ messages about an ownership culture. This is why leaders need to be clear about their desired culture from the outset—so that technical design choices follow from, and align with, that vision rather than unintentionally working against it.

Similarly, when post-transaction leaders don't understand that ownership shared by employees creates a great opportunity to enhance a company's performance when specific operating structures and processes are put into place, those leaders may be disheartened to find out that just becoming employee-owned has not resulted in people “acting like owners.” Depending on the personal style and experience of those leaders, they may not be equipped to lead employees who are co-owners of the company in a way that respects their ownership and encourages their engagement. Preparing the leadership team ahead of time to leverage this change in ownership and make it meaningful to employees in their day-to-day work will jump start developing a high-performance ownership culture (HPOC). This can shape the way they frame and communicate the ownership transition both as an opportunity for financial benefits and also an opportunity to exercise the rights and responsibilities of shared ownership.

ESOP plan designs that incorporate elements that support the development of a desired culture make it easier for employees to begin shifting from thinking of themselves just as paid laborers to seeing themselves as co-owners contributing to the company's success and sharing in what results.

“Failing to consider culture during the transaction can make building an ownership culture far harder—leaving employees to see the ESOP as just a retirement plan, not meaningful ownership.”

What We've Learned About Making Ownership Meaningful

Culture is a differentiator for companies as ESOP plans are often very similar to one another if cultural impact is not considered.

In practice, two things tend to make the biggest difference.

First, company leaders need to know what the ESOP opportunity is—beyond financial benefits. Over more than 25 years, research has identified and consistently confirmed a set of operational process components that, together, are associated with enhanced company performance. And, leaders need to learn how to support those process components through communication and action.

Second, advisors guiding company leaders need to be aware that plan design choices, including entry, allocation and vesting rules, will impact whether, and to what extent employee ownership will become meaningful to employees in ways that affect their attitudes and behaviors. The sooner employees become co-owners through the ESOP, the sooner it makes sense to educate them about how they benefit financially from the ESOP and the rights, responsibilities and opportunities that come with shared ownership.

Advisors also should understand the styles of leadership that are most likely to support the processes that make ownership meaningful for employees. Leaders with an interest in engaging employees, sharing information and creating opportunities for employees to share their knowledge beyond their immediate jobs to suggest improvements or solve problems are often the best at leveraging the power of employee ownership. Believing these processes are important to put in place may require leaders who are humble—who don't believe they alone have all the best ideas or answers—and who believe individual employee owners have experience and knowledge to share for the company's benefit.

Advisors can set the stage early. Ideally, rather than focus solely on financial and tax benefits when talking to sellers, advisors on transaction teams would inform post-transaction leaders about the opportunity employee ownership creates to build or reinforce a high-performance ownership culture. Information about the potential performance gains that complement the financial opportunities resulting from an ESOP transaction can be built into early discussions about ESOPs as a choice for selling shareholders. Asking company leaders to consider whether they want to support the development of a HPOC before the advisors settle on a plan design is an important step in this process.

The companies that derive the most value from ESOPs tend to treat developing an “ownership culture” as a parallel track to finance and governance, beginning at the feasibility stage. Intentional culture-building turns a technical transaction into a new business model that can be communicated to employees along with the ESOP itself. The processes that comprise a high-performance ownership culture can often contribute to making shared ownership meaningful to employee owners' day-to-day experience sooner than their ESOP accounts gain significant financial value. Culture is also about people's daily experience while the ESOP is about the long-term financial potential that is only available when they leave their company.

Key Principles

For strengthening culture in ESOPs

- **Ownership benefits result from culture**, not just tax benefits or financial wins from the ownership transition transaction. Become informed about these opportunities.
- **Attend to the impact on employees** and on the company culture you hope to reinforce or develop as you make decisions related to the ESOP transaction. Beware of treating culture as an “add-on” after the transaction.
- **Align structure with values** to avoid mismatches between legal form and organizational aspirations.
- **Culture requires investment and ongoing commitment**—values clarity, communication, rewards structure, training, education, new operational processes, and leadership support.
- **Leaders and managers will need to develop a participative mindset** as well as transparent communication and, possibly, new skills for involving employee owners.
- **Communication should be easy to understand**, not ‘legalese,’ and often needs to go hand-in-hand with education about the meaning of the information shared.

Workplace Practices

Research links to high-performance culture

Research consistently finds that employee ownership delivers the strongest results when it is paired with a set of reinforcing workplace practices. These include: open and transparent communication including sharing financial information and educating employees about how their actions affect key performance indicators; structures that involve employee-owners in problem-solving, decision-making, and continuous improvement; meaningful job autonomy; and opportunities for ongoing training and professional development.

See for example:

[“Do Workers Gain by Sharing? Employee Outcomes under Employee Ownership, Profit Sharing, and Broad-Based Stock Options” \(Kruse, et al 2010\).](#)

[“Beyond Engagement,” \(Rosen 2020\).](#)

Together, these practices help employees understand the business, see how their contributions matter, and act on that knowledge—shaping both attitudes and day-to-day behaviors. More recent research also emphasizes that these practices are difficult to implement in isolation: leadership alignment is critical. Leadership teams must be collectively committed to adopting more participatory, transparent, and inclusive ways of operating for these elements to take hold.

See for example:

[“The Effects of High-performance Work Practices and Psychological Ownership on Employee Outcomes” \(Carberry, et al 2026\).](#)

Key Steps and Practices

For integrating culture into each stage of an ESOP transaction

Building a strong ownership culture should not be treated as something that happens after the ESOP transaction is complete. The most effective ESOPs begin with a clear understanding that employee ownership can generate value beyond seller liquidity or tax advantages. From the earliest stages, sellers, advisors, and post-transaction leaders should consider whether the company has the leadership commitment, communication practices, and employee development systems needed to make ownership meaningful in employees' daily work.

Step 1: Feasibility Assessment

Assess cultural readiness during feasibility.

During the feasibility stage, a company's culture may be difficult to assess directly because employees often do not know that a sale is being explored. Advisors can still look for indicators: benefits, retention rates, employee tenure, promotion practices, professional development programs, stated values, and the level of company information currently shared with employees. These clues can help determine whether an ESOP fits the existing culture or whether significant cultural change will be needed.

Step 2: Transaction Planning

Make culture and performance part of transaction planning.

As transaction planning begins, leaders should be encouraged to define what they want the ESOP to accomplish beyond financial outcomes. Advisors with organizational development and communication expertise can help sellers and leaders understand the performance potential of an ownership culture and assess whether leadership is prepared to support it. This includes asking how much transparency the company is willing to embrace, whether managers are committed to employee development, and whether any leaders are likely to resist the communication and participation practices needed for employee ownership to succeed.

Step 3: Plan Design

Design the ESOP plan with employees' experience in mind.

Plan design should be considered not only from legal, financial, and tax perspectives, but also from the perspective of employees. Sellers and leaders should ask how different design choices will shape whether employees experience the ESOP as meaningful shared ownership or merely as a retirement benefit. Symbolic choices matter, because they influence trust, motivation, and whether employees believe ownership changes their relationship to the company.

Step 4: Align and Equip Leadership

Educate and prepare executive leadership and middle management.

Before announcing or implementing the ESOP, the leadership team should be educated and aligned around what will and will not change. Leaders should develop a shared plan for communicating the ESOP and for building the management practices that support an ownership culture. This may include leadership development, executive coaching, middle-manager training, and clear expectations that managers communicate openly, invite participation, and help employees connect their work to company performance.

Step 6: Educate Employees

Explain the ESOP and make ownership “real.”

Employee education should go beyond explaining the ESOP plan. Employees need business literacy, an understanding of key performance indicators, clarity about how their work affects company success, and opportunities to contribute ideas for improvements. Training should also explain employee owners’ rights and responsibilities (for more on this see Christopher Mackin potential account value under different growth scenarios, and when and how employees can access ESOP benefits.

Step 7: Build Ownership into Communications and Processes

Integrate employee ownership into ongoing activities, communications, and strategic plans.

Ownership culture requires sustained communication, not a one-time rollout. Companies should integrate employee ownership and participation into strategic planning, company meetings, KPI updates, and recognition practices. Regularly reporting on company performance—and highlighting employee ideas or actions that improved results—helps employees see that ownership is connected to real decisions, behaviors, and beneficial outcomes.

Step 8: Longterm Development and Systems

Reinforce ownership through long-term systems.

Finally, the company should embed ownership into its ongoing leadership, management, and employee development systems. This includes training new employees, supporting middle managers, developing future leaders, making these behaviors part of the company’s performance assessment and feedback processes, recognizing employee contributions, and defining what it means to “think and act like an owner.” Over time, these practices build the trust, participation, and shared responsibility that allow the ESOP to realize its full performance potential.

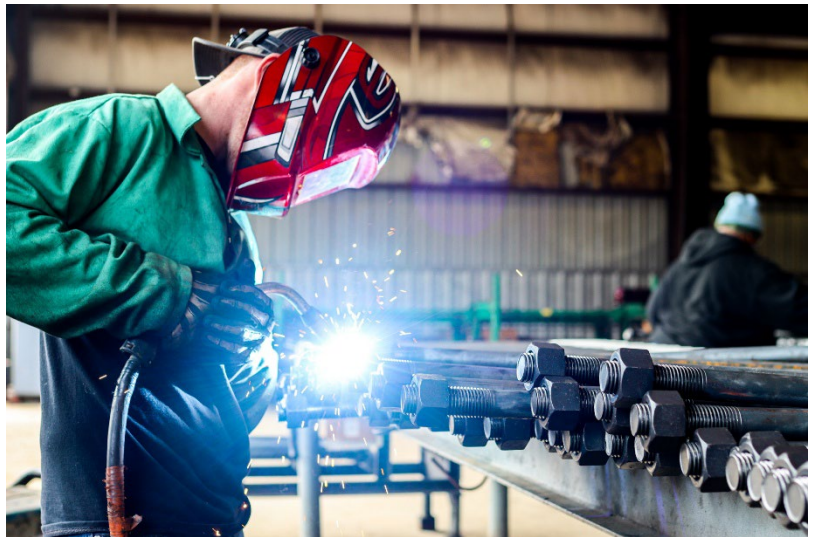
- Implement leadership development programs for all company leaders and high potentials so that they have the leadership competencies to support the culture; are building a stronger leadership bench to support long-term sustainability; and can coach managers and supervisors to learn and implement critical skills for supporting employee engagement day-to-day.
- Invest in middle manager training, particularly developing skills related to communication and participation. It is their actions that will have the greatest impact on employee owners’ belief that being a co-owner matters.
- Invest in training for all employee owners about the rights and responsibilities of shared ownership, encouraging them to think about and offer ideas on how to improve company performance. Define what it means to ‘think and act like an owner.’ Then, make this training part of every new employee’s first year experience and positively recognize employees’ individual and group successes, suggesting and implementing ideas that result in company performance gains.

ESOP Company Examples

The examples below illustrate how two companies translate the principles of a high-performance ownership culture into concrete practices. While each approach is unique, both demonstrate how intentional design of communication, participation, and leadership processes can make employee ownership meaningful in employees' day-to-day experience.

Threaded Fasteners

Threaded Fasteners, a 100% ESOP-owned company, with more than 400 employees in several locations, has built in communication processes and bonus plans that create the opportunity for employee owners to receive profit sharing bonuses when the business unit and the company as whole exceeds goals. Business unit performance is communicated to employees monthly and company performance is communicated on a 400-person call quarterly. Recently bells were installed in each facility. When a business unit hits or exceeds its monthly performance goals, the bell is rung and everyone celebrates, reflecting the feeling of achieving their goal together. In addition, the company has invested in leadership development at all levels. Employees share a feeling of all being responsible for driving the company's success.



Carris Reels

Carris Reels is a 100% ESOP company headquartered in Proctor, Vermont. Today Carris has 14 locations across North America, including one in Mexico and four in Canada. Carris began the transition to employee-ownership in 1995, becoming 100% employee-owned in 2008. Carris has established many structured processes for employee involvement that, together, have resulted in an ownership culture that makes employee ownership meaningful day-to-day. Several of these processes were set up as part of the ESOP transaction.

Governance. Two seats on Carris Reels' 3 to 9 person board of directors are reserved for hourly employee owners. They receive training for their role and, unlike other board members, they each have a four-year term.

Financial equity. For purposes of ESOP allocation, eligible compensation is capped at \$65,000 which minimizes the potential gap in ESOP account values among employee owners at different levels of compensation. Additionally, senior leaders can be paid no more than 10 times what the lowest paid employee owners are paid, which still allows for leadership salaries that are high enough to attract top tier talent. Participation in a 13% profit-sharing program is only open to non-management employee owners. Finally, everyone receives a 401k contribution equal to 4% of their salary.

Communication. Employee owner meetings, at which financial statements are shared, are held monthly at all Carris facilities, keeping all employee owners knowledgeable about how the company and their unit is performing. Every employee owner is also provided with financial literacy education by Carris' CFO so that they understand the meaning of the financial information they receive.

Participation. Carris' leadership believes "We need an improvement idea from every person each year." With that in mind, every Carris location has at least one monthly process through which employees share their ideas for improving the company. This has resulted in improvements in diverse areas such as inventory control, machine guarding, enhanced safety lighting for forklifts, and wood cutting methods that reduce time without increasing waste.



Conclusion

Research suggests that ESOPs can deliver wealth-building, stability, and performance gains—but only if employees understand and experience ownership as meaningful. By thinking strategically about culture goals early and through every stage of the ownership transition, companies help ensure the ESOP becomes more than a retirement plan. It can become a driver of engagement, innovation, and shared success.

Source Materials

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Author and Bio

Ginny Vanderslice, PhD

Ginny Vanderslice is the co-founder in 1995 and initial president for 19 years of Praxis Consulting Group. She currently is Principal Emeritus at Praxis. Praxis works with employee-owned companies to align leadership, culture and strategy so that employee-owners gain the personal, professional and financial benefits that are possible when companies are employee-owned. She also has been an adjunct faculty member at the University of Pennsylvania since 1991 where she has taught graduate courses on organization culture change, gender issues in organization leadership, and theories of empowerment. Ginny initiated and designed [The Leadership Program for ESOP CEOs and Presidents](#), an executive leadership program for current and incoming CEOs and Presidents of ESOP companies that is part of the Center for Social Impact Strategies in the School of Social Policy and Practice at Penn. Ginny has led the design and been the Academic Director of that program since its inception in 2004, graduating more than 200 ESOP company leaders from across industries and across the country.

Ginny's entire professional career has been spent working with, studying and writing about employee ownership. Her commitment to employee ownership comes from a deep belief that employee ownership is a better business model for companies and, when combined with and culture, provides a way to build work environments that empower employees, recognize their full value to their company, and provide them with the opportunity to build wealth that can change their own and their family's lives.

Ginny has been privileged to work with hundreds of employee-owned companies and has presented at numerous national and regional conferences. Her expertise in the organizational development opportunities and challenges that come with employee ownership has been developed from working closely with employee-owners at all levels and translating research findings into practical applications to make employee-owned companies as successful as possible.

Special thanks to Kim Blaugher, Beyster Institute at UCSD, for being a significant thought partner and supporter in the development of this concept and to my colleagues at Praxis Consulting Group, in particular Linshuang Lu, Alex Moss and Kathleen McInerney Kane. Finally, thanks to Adria Scharf for her thoughtful suggestions and edits.

Disclaimer: This brief is not meant as legal advice. Consult professionals and consider a variety of goals and needs.